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United Cigar-Whelan Stores Corporation

Annual Report 1956

UNITED CIGAR-WHELAN STORES CORPORATION

Executive and General Offices: **82 39th Street, Brooklyn 32, N. Y.**

Board of Directors

Leo Bertisch
Frank H. Blair
George P. Frenkel
Charles Green
J. Raymond McGovern
William L. Pfeiffer
Nat Polinsky
Ted M. Segal
Harry T. Silverman
Milton Sorey

Officers

Charles Green.....*Chairman of the Board*
Harry T. Silverman.....*Chairman of Executive Committee*
Leo Bertisch.....*President*
Benjamin S. Thaw.....*Executive Vice President*
Paul Olsen.....*Vice President, Treasurer and Comptroller*
Alvah K. Parent.....*Vice President and Secretary*
Harry M. Chichester.....*Vice President*
Herman H. Goldstein.....*Vice President*
John C. Hutsler.....*Vice President*
Charles J. Sewall.....*Assistant Secretary and Assistant Treasurer*

Counsel

Aranow, Brodsky, Bohlinger, Einhorn & Dann, New York, N. Y.

Auditors

S. D. Leidesdorf & Co., New York, N. Y.

Transfer Agent

Convertible Preferred Stock and Common Stock
The Marine Midland Trust Company, New York, N. Y.

Registrar

Convertible Preferred Stock and Common Stock
The New York Trust Company, New York, N. Y.

March 26, 1957

To the Stockholders of

UNITED CIGAR-WHELAN STORES CORPORATION:

We wish to report that earnings in 1956 showed an increase. This increase is only part of the progress picture. Our ability to change with changing times and conditions should reflect itself in the future progress and earnings of your Corporation.

A comparison of some of the pertinent figures for 1956, 1955 and 1954, as listed below, is significant.

	1956	1955	1954
Sales and shipments to agents.....	$54,823,929	$56,557,376	$58,718,077
Net income before Federal income taxes	1,606,965	1,214,531	944,273
Provision for Federal income taxes	930,000	674,000	455,000
Net income	676,965	540,531	489,273
Earnings per share (Common).....	33¢	23¢	20¢
Dividends (Common)	20¢(A)	17½¢(B)	15¢
Book value of Common Stock.....	$6.13	$5.88	$5.60
Shares of Common Stock outstanding at end of year.....	1,892,908	2,043,349	2,086,180
Ratio of Current Assets to Current Liabilities	2.8 to 1	3.1 to 1	2.8 to 1
Units in operation:			
Stores	146	160	182
Agencies	583	610	627

(A) Declared January 24, 1957 (two semi-annual dividends of 10¢ each).

(B) Declared January 13, 1956.

Additional unprofitable units were closed in 1956. The Corporation's long-range plan for the complete liquidation of its cigar store operations was completed in 1956. While Management expects to continue closing unprofitable units, future plans for expanding store volume and earnings by opening new units are well under way. These new units will be chiefly of the self-service variety. Since the date of our last annual report, three large units of this type have been opened; seven more are expected to be opened in 1957; and lease negotiations are either under way or have been consummated for several additional units.

Management continued in 1956 its policy of improving the financial position of the Corporation and using this advantageous position to expand earning possibilities. Approximately $1,600,000 was invested in marketable securities on which dividend income of approximately $55,000 was received. Additional surplus funds were used to continue the purchase of the Corporation's Common and Preferred Stock for its Treasury.

Details with respect to the financial condition of the Corporation and its subsidiaries at December 31, 1956 and their operations for the year 1956 are contained in the accompanying Consolidated Balance Sheet and Statement of Income and Earned Surplus, both of which contain comparative figures for 1955.

During 1956, Mr. David G. Baird, a Director of the Corporation for many years, retired. Mr. John C. Hutsler, General Manager of Florida Operations, was elected a Vice President. On February 15, 1957, Mr. Frank Kohn, Vice President and Director of California Operations, resigned, but will continue to assist the Corporation in an advisory capacity.

This report is submitted on behalf of the Board of Directors.

Chairman of the Board

President

ACCOUNTANTS' REPORT

S. D. LEIDESDORF & CO.
Certified Public Accountants
125 Park Avenue
New York, N. Y.

To the Board of Directors

UNITED CIGAR-WHELAN STORES CORPORATION
New York, N. Y.

We have examined the consolidated balance sheet of United Cigar-Whelan Stores Corporation and subsidiary companies as at December 31, 1956, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of United Cigar-Whelan Stores Corporation and subsidiary companies at December 31, 1956, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.
March 14, 1957

UNITED CIGAR-WHELAN STORES CORP

COMPARATIVE CONSOL

As at December

ASSETS

	1956	1955
CURRENT ASSETS:		
Cash	$ 3,910,666	$ 4,663,150
Investments, at cost (which approximates market quotations)	1,761,749	160,053
Accounts and notes receivable, and merchandise shipments to agents, less reserves—Note A	1,239,038	1,438,980
Inventories of merchandise and supplies, at cost or market whichever is lower	7,093,455	7,285,470
Prepaid insurance, taxes and rent	371,416	260,511
TOTAL CURRENT ASSETS	14,376,324	13,808,164
OTHER ASSETS—Note A:		
Merchandise shipments to agents	404,250	425,575
Accounts and notes receivable due after one year, etc.	245,843	222,315
	650,093	647,890
FIXED ASSETS, at cost or less:		
Furniture, fixtures and equipment (includes approximately $1,400,000 on which depreciation provided is equal to asset)	4,680,745	4,878,406
Less: Depreciation	3,258,071	3,250,675
	1,422,674	1,627,731
Improvements to leaseholds, less amortization	1,874,204	2,054,125
	3,296,878	3,681,856
DEFERRED CHARGES	168,589	216,600
	$18,491,884	$18,354,510

This statement is subject to the accompanying Notes to F

RATION AND SUBSIDIARY COMPANIES

ATED BALANCE SHEET

1956 and 1955

LIABILITIES

	1956	1955
CURRENT LIABILITIES:		
Accounts payable	$ 2,823,090	$ 2,406,935
Dividend payable	14,379	—
Taxes accrued and withheld, other than Federal income taxes	628,286	574,258
Accrued compensation and other liabilities	907,814	759,223
Provision for Federal income taxes	808,766	661,131
TOTAL CURRENT LIABILITIES	5,182,335	4,401,547
CAPITAL STOCK AND SURPLUS—Note B:		
Capital Stock:		
Convertible Preferred Stock, par value $100.00 a share, $3.50 dividend cumulative (each share exchangeable for four shares of Common Stock):		
Authorized—50,000 shares Issued—17,910 shares (1955—18,840 shares)	1,791,000	1,884,000
Common Stock, par value 30¢ a share:		
Authorized—3,000,000 shares Issued—2,307,308 shares	692,192	692,192
Capital Surplus	5,973,434	5,949,580
Earned Surplus	6,779,806	6,536,475
	15,236,432	15,062,247
Less: Treasury stock, at cost	1,926,883	1,109,284
	13,309,549	13,952,963
LONG-TERM LEASES AND OTHER CONTINGENCIES—Note C		
	$18,491,884	$18,354,510

ncial Statements, which are made an integral part hereof.

UNITED CIGAR-WHELAN STORES CORPORATION AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

For the Years Ended December 31, 1956 and 1955

	1956	1955
Net sales and shipments to agents—Note A	$54,823,929	$56,557,376
Other operating income:		
Income from display advertising, sundry commissions, etc.	1,303,862	1,320,668
Rental income	822,371	862,670
	56,950,162	58,740,714
Cost of goods sold and cost of shipments to agents, and selling, general and administrative expenses, exclusive of depreciation and amortization	54,938,708	56,923,432
	2,011,454	1,817,282
Depreciation and amortization	614,415	657,525
	1,397,039	1,159,757
Other income:		
Profit on sales of securities	61,200	143
Dividends and interest	68,443	23,308
Miscellaneous (including, in 1956, $45,114 adjustment of prior years' tax accruals)	124,225	111,295
	253,868	134,746
	1,650,907	1,294,503
Other deductions:		
Interest on long-term debt	—	29,677
Miscellaneous	43,942	50,295
	43,942	79,972
Net income before Federal income taxes	1,606,965	1,214,531
Provision for Federal income taxes (including, in 1956, $75,000 for prior years)	930,000	674,000
Net income	676,965	540,531
Earned Surplus as at beginning of year	6,536,475	6,046,909
	7,213,440	6,587,440
Dividends on Convertible Preferred Stock	77,470	50,965
Dividend on Common Stock	356,164	—
	433,634	50,965
Earned Surplus as at end of year	$ 6,779,806	$ 6,536,475

This statement is subject to the accompanying Notes to Financial Statements, which are made an integral part hereof.

UNITED CIGAR-WHELAN STORES CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

As at December 31, 1956

GENERAL:

Reference is made to the previously issued annual report for the notes applicable to the consolidated financial statements as at December 31, 1955, and for the year then ended.

NOTE A—MERCHANDISE SHIPMENTS TO AGENTS:

In accordance with the Corporation's established policy, net sales and shipments to agents, as shown in the accompanying consolidated statement of income and earned surplus, include amounts representing merchandise shipments to agents who operate retail outlets, ownership of which merchandise, under the terms of the agency agreements, remains with the Corporation until the merchandise is sold by the agents. Amounts owing by agents for merchandise sold as at December 31, 1956, and the accountability of agents as at that date for unsold shipments of merchandise (other than initial inventory allowances) together total $769,117. Of this amount, $766,234 is included in the accompanying consolidated balance sheet under Current Assets in "Accounts and notes receivable, and merchandise shipments to agents, less reserves," and $2,883 is included under Other Assets. The initial inventory allowances, for which agents are not required to make settlement until the termination of the agency, are included under Other Assets.

NOTE B—CAPITAL STOCK AND SURPLUS:

During the year 1956, the Corporation retired 930 shares of its Convertible Preferred Stock, all of which were acquired during the year. This resulted in an increase of $23,854 in Capital Surplus, representing the excess of the par value of the shares so retired over the cost thereof.

Treasury stock as at December 31, 1956, consists of 1,355 shares of the Corporation's Convertible Preferred Stock (all acquired during the year) and 414,400 shares of its Common Stock (of which 150,441 shares were acquired during the year). As at March 14, 1957, the Corporation had acquired 298 additional shares of its Convertible Preferred Stock and 72,404 additional shares of its Common Stock, at an aggregate cost of $373,667.

NOTE C—LONG-TERM LEASES AND OTHER CONTINGENCIES:

The Corporation and its subsidiaries in the ordinary course of business lease all store properties. At December 31, 1956, there were 139 leases expiring more than three years after that date for which the minimum annual rentals were approximately $1,800,000. The majority of these leases provide for additional rentals based upon percentages of sales in excess of predetermined bases and upon other factors.

The Corporation is contingently liable with respect to the guarantee of another's obligation approximating $160,000.

Based upon the opinions of counsel, management believes that pending litigation against the Corporation will not result in a materially adverse effect on the consolidated financial position.

EXECUTIVE OFFICES

82 Thirty-Ninth Street	Brooklyn 32, N. Y.

BRANCH OFFICES AND WAREHOUSES

82 39th Street, Bush Terminal Bldg. No. 22, Brooklyn 32, N. Y.

5000 District Boulevard	Los Angeles 11, Calif.
239-243 N.W. 28th Street	Miami 37, Fla.
725 South Wells Street	Chicago, Ill.

"GET IT AT Whelan's"